

ADVISOR PRACTICE MANAGEMENT | ADVISOR NEWS

# Do Advisors Need a Financial Therapist on Their Team?

**BARRON'S**By **Charles Paikert**

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Scott Tobe always had an interest in psychology and considered entering the profession before he joined his father's financial advisory firm 20 years ago.

Now the CEO of Signature Financial Planning in Pittsburgh, Tobe began noticing certain clients had "repeating patterns of behavior" that clearly were harming their financial situation. He wanted to reach out but was frustrated because none of Signature's advisors were trained therapists.

"I felt like we were missing something," Tobe says.

About eight years ago, Tobe was introduced to Julia Kramer, who was both a CPA and a certified financial behavior specialist. They clicked immediately, and Tobe began referring clients who had deep-seated issues. Couples fighting about money were a staple, as were families encountering difficulties stemming from generational wealth transfer.



Illustration by Chris Gash

“We’ve seen great results,” Tobe says. “There’s no doubt in my mind this is the next step in the evolution of advisors holistically helping their clients.”

The financial therapy movement is still nascent. Both the current and past president of the Financial Planning Association, for example, say they were unaware of financial therapists working with planners. “I haven’t met anyone doing that,” says Skip Schweiss, current FPA president and a longtime top executive at TD Ameritrade who is now CEO of Sierra Investment Management in Santa Monica, Calif.

Frank Paré, FPA president from 2019 to 2020, says that while he occasionally came across a financial therapist at industry conferences, he didn't know of any collaborating with planners.

Will financial therapy in fact become an accepted—and expected—service offered by advisory firms?

Signs of such a shift are already evident. The Financial Therapy Association, founded in 2009, now has 317 members, a 51% increase in just four years. This spring the CFP Board broke precedent by adding the psychology of financial planning as a new “principle knowledge topic” required for study and continuing education to be a certified financial planner.

The Financial Therapy Association defines this approach as a process “informed by both therapeutic and financial competencies that helps people think, feel, communicate and behave differently with money to improve overall well-being through evidence-based practices and interventions.”

Its founding president, Sonya Lutter, believes that RIAs and wealth managers will inevitably either have financial therapists on staff or routinely refer clients to therapists just as they refer clients to estate planning specialists or accountants.



Sonya Lutter  
Photo Illustration by Staff; Dreamstime

joined industry consultant Herbers & Co. as director of institutional research and education last month. “But there will eventually be an intersection of the two disciplines as part of an evolution in the profession similar to the change from transactional broker-dealer to holistic fiduciary advisor.”



Scott Tobe  
Photo Illustration by Staff; Dreamstime

emotional quotient,” as Tobe puts it, and create programs for their clients.

The Covid-19 pandemic has also spurred people to seek professional help.

**A medical analogy** is also applicable, according to Lutter, who has a doctorate in personal financial planning and taught courses in the subject for 16 years at Kansas State University. “It will be interdisciplinary, just as an oncologist or an ear, nose, and throat specialist coordinates with your primary physician.”

“Financial advice and financial therapy are now parallel professions,” says Lutter, who

Tobe has expanded his use of Kramer’s services to the children or grandchildren of Signature clients who are getting married. They are given three free sessions with Kramer to discuss the newlywed couples’ history with money and feelings associated with money.

Kramer, who is treasurer of the Financial Therapy Association, is also on retainer to help Signature advisors “increase their

“The pandemic has impacted mental health in general, and concerns about money have been a big part of that,” says Sarah Swantner, president of the Financial Therapy Association and a CFP with a therapy practice, Black Hills Integrative Counseling and Coaching, in Rapid City, S.D. “As household finances have been affected and stress levels in relationships have risen, our members have seen more interest in financial therapy.”



Sarah Swantner  
Photo Illustration by Staff; Dreamstime

Fees for financial therapy range from around \$100 to \$250 an hour, according to Swantner. Some financial therapists also have certifications in other disciplines such as clinical, family, or addiction counseling. But otherwise, Swantner says, they confine their sessions to issues related to financial matters.

**Some industry leaders are skeptical** about bringing professional therapy into

the profession.

Even though Joe Duran, the head of Personal Financial Management for Goldman Sachs, has long advocated that advisors provide “financial life management” for clients beyond just investments, he says he’s “not willing to cross the line” into full-blown therapy.

“Advisors have to understand what really matters to clients, and go beyond goals to identify their intentions and purpose,” Duran says. “But it’s not the advisors’ job to figure *why* [clients have a money-related behavioral problem] and what can be done to change it. That’s a different profession.”

Paré, the president of PFC Wealth Management Group in Oakland, Calif., points out that clients’ anxiety over money may be perfectly normal—and why they come to a financial advisor in the first place.

“Our job is to create a plan and help clients stick to it by understanding and mitigating things that might cause people to panic,” he explains. “I respect therapists for what they do, but I think when it comes to finances it might be a case of ‘for a man with a hammer everything is a nail.’”

What’s more, the concept of “holistic planning” has been prevalent in the financial advisory profession for well over a decade, and some advisors say they’re already doing what therapists are offering.

“We have long been aware that, as trusted advisors, we must sometimes serve as ‘therapists,’ in a sense, for our clients,” says Michael Nathanson, CEO of Boston-based Colony Group. “For us, however, this concept is broader than just financial therapy. It’s

why we prefer to do far more than just financial assessments with our clients and strive to understand their values, personalities, life goals, family dynamics, passions, fears, and personalities.”

Asked about financial therapy, Brett Bernstein, CEO of XML Financial Group in Rockville, Md., says his first thought was “That’s what I do!”

“I always tell people what I do is 95% psychology and 5% investing,” says Bernstein. “A client just called me the other day about long-term care. Most of the conversation wasn’t about money, but about the psychological component of how he should approach it.”

But skepticism about financial therapy may be overridden by competitive pressure.

Advisors are constantly looking to differentiate their practice from the competition and enhance their value proposition. Stephanie Bogan, who counsels advisory firms as a business coach, says besides offering portfolio and planning value, advisors need to help clients navigate their financial lives more effectively by providing “personal value” through techniques like behavioral coaching and financial therapy.

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“Personal value will also be revenue sustaining or revenue generating,”

Crypto 101 with Ric Edelman

according to Bogan, CEO of Limitless Advisor. “Clients who have serious problems with money are not good for the long-term client-advisor relationship.”

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An advisor’s fiduciary responsibility may also come into play, says Paré. “I don’t know if firms will have a full-time therapist

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on call,” the former FPA president says, “but if a client needs help for a clinical problem, it may be part of our fiduciary duty to bring in an expert.”

The ability to not only differentiate their practices but “help clients at a deeper level,” may be another reason advisory firms begin offering clients access to therapists, says FPA president Schweiss.

**Digging deeper is exactly** what therapists do, says Jeff Shinal, who has offered financial therapy as part of his clinical counseling practice in Leesburg, Va. since 2017.

“Many of the dysfunctions you see around financial issues need more digging,” Shinal says. “Therapists are trained to drill down and apply a standard of care for clients that nonprofessionals don’t have. And since financial stress won’t be easing up anytime soon, the tools needed to help people have to be ratcheted up.”





Julia Kramer

Photo Illustration by Staff; Dreamstime

Those tools include techniques and protocols like EMDR—eye movement desensitization and reprocessing—and cognitive processing therapy. In Pittsburgh, Kramer, who charges around \$150 an hour for her services, employs motivational interviewing, a counseling method used in addiction treatment.

When working with financial advisors, Kramer focuses on what she calls “the basics of financial psychology” and “the neuroscience of money.” She also uses “money scripts,” a technique created by financial therapy pioneer Brad Klontz that claims to uncover “unconscious beliefs about money” originating in childhood that shape financial behavior.

“I encourage advisors to understand their own beliefs and biases,” Kramer says. “They can then separate those beliefs from those of their clients, which leads to better client-centered advice.”

Advisory firms who ignore financial therapy do so at their own risk, according to RIA owner Scott Tobe. “The firms who are great at it will survive,” he says. “Those who aren’t will be replaced by robots.”